

**JUMBO MINING CO.**

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DOGM  
MINERALS PROGRAM  
FILE COPY

May 30, 1990  
File: OGM5300

Mr. Lowell P. Braxton  
Associate Director, Mining  
Department of Natural Resources  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203

FAX NO. 801-359-3940

Dear Mr. Braxton:

Re: Drum Mine, M/027/007; 60-Day Test for Bureau of Water Pollution

In your letter to me dated February 28, 1990 you addressed OGM's position with respect to the 60 day test of leach pads No.2 LG and No.7 which is required by the State Bureau of Water Pollution Control prior to consideration of reauthorization of these heaps for continued gold recovery. In summary, you stated:

"While the Division will not allow leaching for recovery of precious metals until the permit has been appropriately amended, I would not preclude Jumbo's testing of the heap leach liner integrity as required by the Bureau of Water Pollution Control, provided that this is not objectional to WSMC."

Nearly three months later, WSMC in its letter to you dated May 25, 1990 has belatedly objected to the completion of this test. We believe this objection is capricious and unreasonable and request that you allow the completion of this test, in preparation for which JMC has, in good faith, spent considerable sums of money.

These heaps were constructed by WSMC and operated without permit from the BWP for several years, prior to purchase of the property by JMC. Let me reiterate that up to this point, the ONLY activity by JMC thereon was a two or three day sprinkling last November, in an attempt to start the 60 day test required by the Bureau of Water Pollution. This sprinkling had to be discontinued due to lack of water as a result of frozen pipelines from the supply well, located seven miles away from the site.

It should be noted that in preparation for this 60 day "leak" test, JMC has drilled many monitoring wells around the perimeter of these heaps and, prior to the aborted November test, submitted Gamma Ray and Neutron Logging records on these wells. On May 25, 1990, having heard no objection from WSMC pursuant to your February 28th letter, these monitoring wells were again Gamma and Neutron logged in preparation for a new start on the 60 day test required of us by the BWP.

I should also make it clear that any gold which might be recovered as a result of this test is:

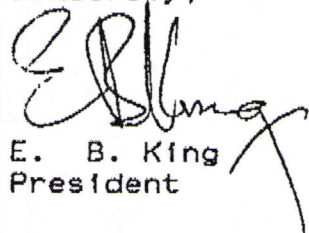
a) unavoidable, in that there is no practical way to conduct the test, other than to use the existing leaching system, which includes weak cyanide solutions.

b) of little or no significance to JMC, in that after years of leaching by WSMC, the 60 day test reasonably cannot be expected to produce any net value, as compared to the expenses already undertaken by JMC in preparation for and conducting this test. The justification for this expense comes not from gold recovery, but from the possibility that the construction of a new heap, with its attendant new ground disturbance, will be avoided.

c) does not impact WSMC and its potential reclamation liability, except in a possibly favorable manner. If JMC, as a result of this test, can demonstrate to the BWP that the heaps should be permitted for future use, JMC has repeatedly stated that it will assume the reclamation liability for these heaps, with the sole exception of WSMC's missing topsoil. Thus, on obtaining approval from the BWP, JMC would establish reclamation bonding for the 5.65 acres in pad HG-7, and 3.13 acres in LG-2, as detailed in the memo to the Board of Oil, Gas and Mining dated July 13, 1989.

Considering all of the above we contend that the continuation of the planned test is in the best interest of all parties concerned. Your concurrence would be appreciated.

Sincerely,



E. B. King  
President

cc: F. Rex Rowley, BLM, House Range Resource Area  
Don Osler, State Health  
Steven Clyde